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**UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA**

MYSPACE, INC.,

Plaintiff,

vs.

GRAPHON CORPORATION,

Defendant.

CRAIGSLIST, INC.,

Plaintiff,

vs.

GRAPHON CORPORATION,

Defendant.

) **Case No. C 10-00604 EDL**

) **Case No. C 10-01156 EDL**

) **Consolidated Actions**

) **REPLY IN SUPPORT OF PLAINTIFFS'**  
) **MOTION FOR AN EARLY HEARING**  
) **ON INEQUITABLE CONDUCT**

) **Date: Thursday, July 15, 2010**

) **Time: 9:30 a.m.**

) **Location: Courtroom E, 15th Floor**

) **Judge: Honorable Elizabeth D. Laporte**

1           GraphOn's opposition fails to set forth any compelling reason why this Court  
2 should delay a hearing on GraphOn's inequitable conduct. Two of the four patents-in-suit were  
3 litigated to the brink of trial in a prior action brought by GraphOn and defended by counsel for  
4 MySpace here. The two additional patents in this case are continuations sharing an identical  
5 written description and similar claims. Plaintiffs, who bear the burden of proof on inequitable  
6 conduct, are prepared to try their inequitable conduct case now, based on the prosecution  
7 histories of the patents-in-suit, other publicly available materials, and the discovery exchanged  
8 in the earlier proceeding. Judicial economy demands that, rather than litigating this case as  
9 though the prior action had never happened, the proceedings in this case proceed in a  
10 streamlined fashion based on the information already developed.

11           The Court clearly need not reach any conclusions on the merits of Plaintiffs'  
12 allegations at this stage. However, the fact that Plaintiffs have made a thorough proffer showing  
13 that the asserted patents are unenforceable, and that GraphOn's response fails to explain the  
14 pervasive non-disclosures to the Patent Office described in Plaintiffs' opening brief, should  
15 inform the Court's discretion in granting an early hearing. GraphOn does not deny that  
16 Applicants intentionally did not disclose to the Patent Office the proprietary server that was the  
17 best mode Applicants knew for charging a fee, as the asserted '538, '034, and '591 patents  
18 claim. GraphOn also does not deny that Applicants intentionally did not disclose the *eBay* and  
19 *AutoTrader* cases despite their admitted duty to do so. As discussed further herein, the excuses  
20 GraphOn does offer are unpersuasive and ineffective as a matter of law.

21           Additionally, Plaintiffs have recently uncovered significant new facts regarding  
22 GraphOn's inequitable conduct.<sup>1</sup> In short, while the '940, '034, and '591 patents were pending

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24 <sup>1</sup> As they indicated at the Case Management Conference, Plaintiffs have been performing a  
25 thorough investigation for additional allegations of inequitable conduct, and they sent GraphOn  
26 a proposed amended complaint including these allegations on June 29, as soon as it was ready.  
27 GraphOn would not stipulate to the filing of the amended complaint if Plaintiffs referenced any  
28 of the content therein in these reply papers. So that the Court would have all of the relevant  
facts in deciding this motion, Plaintiffs have discussed these new allegations herein, and also  
filed a motion for leave to file the amended complaint. Plaintiffs offered to allow GraphOn time  
to review the new allegations and file a sur-reply, but GraphOn refused. At bottom, Plaintiffs  
contend simply that there should be an early hearing on inequitable conduct, which would  
(continued...)

1 before the Patent Office, the Applicants filed and were simultaneously prosecuting before 13  
 2 different examiners at least 23 other patent applications, each of which contained an identical  
 3 specification to each other and to the patents-in-suit and which claimed similar subject matter.  
 4 Not only did the Applicants fail to disclose these co-pending applications to the examiners  
 5 reviewing the '940, '034, and '591 patents, they also failed to disclose the multiple and repeated  
 6 rejections of the co-pending applications by other examiners and most of the prior art cited in  
 7 those rejections. This is “examiner shopping” of the worst sort, and can only be explained by an  
 8 intent to deceive the Patent Office. Plaintiffs are likewise prepared to go to an early trial  
 9 without further discovery on these allegations, because GraphOn can offer no excuse for its total  
 10 failure to keep the examiners of the '940, '034, and '591 patents apprised of the repeated  
 11 rejections of comparable continuation applications despite having — as the evidence will  
 12 show — actual, subjective knowledge of GraphOn’s obligations to do so.

13                 Simply put, GraphOn was able to acquire the patents-in-suit because Applicants  
 14 intentionally failed to disclose critical information to the Patent Office. Rather than permitting  
 15 GraphOn to subject Plaintiffs to discovery and trial on every other issue first, this Court should  
 16 allocate an early one-day hearing so that Plaintiffs can present their well-developed evidence of  
 17 unenforceability.<sup>2</sup> Appendix A proposes a schedule for proceeding that would permit GraphOn  
 18 to perform any discovery it desires in advance of the requested early hearing. With respect to  
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20 include all of the facts in support of that defense. GraphOn will have ample time to prepare any  
 21 explanation it has, but it would be inefficient to try different inequitable conduct allegations  
 22 separately, or to decide whether to have an early hearing without considering all of the theories  
 23 that may be raised at such a hearing.

24 <sup>2</sup> GraphOn cites the concurring opinion of Chief Judge Rader in *Advanced Magnetic Closures,*  
 25 *Inc. v. Rome Fastener Corp.*, Nos. 2009-1102, 2009-1118, 2010 WL 2331169 (Fed. Cir. June  
 26 11, 2010) for the proposition that “a trial on inequitable conduct should not be held at this time  
 27 and will require strict scrutiny when it is”). (Opp. at 13-14.) On its face, Judge Rader’s opinion  
 28 — which in any event did not command a majority of the panel — addresses procedure at the  
 Federal Circuit, not this Court. Moreover, Judge Rader made clear that in his view the Federal  
 Circuit, and, *a fortiori*, this Court, should continue to address inequitable conduct under  
 “extreme facts such as those found in the present case.” 2010 WL 2331169, at \*13. Plaintiffs  
 respectfully submit that the inequitable conduct committed here is so egregious that it will  
 render the patents unenforceable under any applicable legal standard applied by the Federal  
 Circuit.

claim construction, GraphOn has identified only a single term that could conceivably affect the inequitable conduct issues, and construction of that term, if it is even necessary, can take place in-line with the proposed hearing.

#### **I. The Court Has the Authority to Hold an Early Hearing on Inequitable Conduct**

GraphOn concedes, as it must, that this Court has the discretion to order an early trial on inequitable conduct, and that multiple courts in this jurisdiction have done so. Opp. at 8, 16; *see Gardco Mfg., Inc. v. Herst Lighting Co.*, 820 F.2d 1209, 1213 (1987) (“The district court clearly did not abuse its discretion in trying Gardco’s inequitable conduct claim first in this case. Such a separation is precisely the type contemplated by Rule 42(b)”); *see also* Mot. at 3 (collecting cases). Given the particular circumstances present in this case, the Court should order an early hearing on inequitable conduct.

#### **II. No Claim Construction Is Needed Prior to an Inequitable Conduct Hearing**

GraphOn claims that “the Court must first interpret the claims for the patents-in-suit in order to decide inequitable conduct” (Opp. at 11), but provides no legal or factual basis for its argument. Judicial economy will be well served by holding an inequitable conduct hearing before holding comprehensive claim construction proceedings.

At the outset, GraphOn is incorrect as a matter of law. For resolving claims of inequitable conduct, claim interpretation standards are the same as those used during the prosecution of a patent application at the Patent Office. There, patent claims are given their *broadest reasonable construction* consistent with the specification. *See, e.g., Digital Control, Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1314 (Fed. Cir. 2006) (citing 37 C.F.R. § 1.56(b) (2004)) (information is material if it helps to establish a *prima facie* case of unpatentability under the broadest reasonable construction standard). Thus, any claim construction for purposes of the inequitable conduct inquiry relates not to the precise scope of the patent claims, but to their broadest reasonable construction.

As a factual matter, there are no actual claim construction issues relevant to the inequitable conduct allegations. First, GraphOn failed to disclose to the Patent Office litigation involving patents that had identical specifications and similar claims to the continuation

1 applications that GraphOn was prosecuting at the time. Indeed, GraphOn has asserted that the  
2 claims of these patents (as they issued) read on the very same systems — those of the  
3 Plaintiffs — as the earlier-issued patents. There can be no claim construction that would render  
4 litigation involving these patents — with identical specifications and claims that read on the  
5 same systems — so immaterial to the prosecution of the later patents that GraphOn would be  
6 relieved from its disclosure obligations. GraphOn does not mention any such claim  
7 construction, stating only that there “are most certainly other claim construction issues that will  
8 arise as well.” (Opp. at 11.)

9           Second, in defending Applicants’ failure to disclose the best mode of practicing  
10 the charging claims of their purported invention, GraphOn indicates, incorrectly, that the Court  
11 will need to “decide the issue of whether claims 2 and 3 [of the ’538 patent] require secure  
12 online credit card processing as discussed in the specification.” (*Id.*) To the contrary,  
13 Plaintiffs’ arguments do not hinge on whether the claims require “secure online credit card  
14 processing”; the claims of the ’538 patent recite a method “wherein the user is charged for the  
15 creation of the database entry” (claim 2) and “wherein the charge is applied to a user’s credit  
16 card” (claim 3). Regardless of whether the claims are read to require simply charging a fee,  
17 charging a fee by credit card, securely charging a fee by credit card, or securely charging a fee  
18 by credit card online, Applicants failed to disclose the best mode of which they were aware for  
19 doing so. (For the same reason, the ’956 application was clearly material to the prosecution of  
20 the patents-in-suit, because it disclosed the best mode of practicing the charging claims of the  
21 patents-in-suit). The specification itself notes that the invention may be practiced “based on a  
22 pay-for service model” involving “the user [entering] a credit card number,” and states that  
23 “such processing is preferably performed in accordance with a proprietary method developed by  
24 the assignee.” *See* ’538 patent (Ex. A to MySpace Compl., Dkt. No. 1-1), col. 10, ll. 6-15.  
25 Thus, regardless of the scope of the “charging” claims of the patents, the best mode was not  
26 disclosed.

27           Finally, to the extent the Court finds claim construction to be helpful, the parties  
28 could readily brief the single claim construction issue identified by GraphOn on an expedited

basis either prior to or after the proposed early hearing. There is no need to defer the inequitable conduct case until after comprehensive claim construction briefing on a host of unrelated issues.

### III. No Further Discovery Is Needed Prior to an Inequitable Conduct Hearing

GraphOn also claims that it needs more discovery relating to inequitable conduct, but this assertion is unpersuasive. An early hearing on inequitable conduct can proceed without any additional discovery, conserving the Court and the parties' resources. Plaintiffs bear the burden of proof on the inequitable conduct claims, so any risk from inadequate discovery falls on them. Moreover, GraphOn principally claims that "the AutoTrader case did not involve all of the patents-in-suit that are before this Court today." (Opp. at 12.) But the two patents-in-suit that were not part of the *AutoTrader.com* suit were prosecuted by Mr. Timothy Brisson, who is currently (and has been throughout the relevant period of time) GraphOn's general counsel. (See Supplemental Declaration of Jeffrey M. Davidson in Support of Plaintiffs' Motion for an Early Hearing on Inequitable Conduct ("Supp. Davidson Decl."), Ex. 1, at 3 (GraphOn's Initial Disclosures).) It goes without saying that GraphOn has the unfettered ability to speak to Mr. Brisson about his conduct in preparation for the early hearing.

GraphOn admits that "AutoTrader.com deposed various counsel who were involved in the prosecution of the '538 and '940 patents, including GraphOn's general counsel Timothy Brisson; Ken D'Alessandro and William Wilbar . . . Robert Irvine; Robert Worrall . . . and . . . Frank Nicholas." (Opp. at 6-7.) However, GraphOn notes that it wishes to re-depose four individuals, even though all of them were counsel for GraphOn or its predecessor and have been deposed previously.<sup>3</sup> (Opp. at 6-7.) Moreover, each of these witnesses testified in prior litigation that he had no recollection of the prosecution of the patents-in-suit. (Supp. Davidson

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<sup>3</sup> GraphOn indicates that it needs to depose William Wilbar, a former junior associate at the Sierra Patent Group, Ltd. (who apparently now lives in Singapore), even though his deposition was taken in the *AutoTrader.com* litigation along with that of two other attorneys from the same firm. Although GraphOn did list many of the prosecuting attorneys as potential witnesses in the *AutoTrader.com* litigation, Mr. Wilbar was not among them. (See Supp. Davidson Decl., Ex. 2, (Exhibit A to Joint Final Pretrial Order, Plaintiff GraphOn Corporation's Identification of Trial Witnesses).)

Decl., Ex.3, at 43:5-7 (D'Alessandro Dep.) (“I personally . . . wasn’t involved in the prosecution of any of the patents.”); Ex. 4, at 70:20-22 (Irvine Dep.) (“Q. What role did MBHB play in the prosecution of this application? A. You know, I don’t know.”); Ex. 5, at 18:11-13 (Nicholas Dep.) (“we didn’t — as far as prosecution, I don’t think there was much, if I remember right”); Ex. 6, at 26:12-13 (Worrall Dep.) (Q. Do you remember anything about this application? A. Not a whole lot.”); Ex. 7, at 10:1-4 (Wilbar Dep.) (“Are you prepared to testify on any of these topics? A. I couldn’t tell you, to tell you the truth. I mean, not really.”). While GraphOn is certainly free to contact its own attorneys for whatever new explanations they may now be able to remember three years later, Plaintiffs, as the parties bearing the burden of proof, do not believe that further depositions of these individuals are necessary.

GraphOn further indicates that it “intends to rely upon [] experts to cover at least the issues of materiality . . . and whether prosecution counsel acted reasonably in the prosecution of the applications at issue.” (Opp. at 7.) Although these “experts have not yet been retained” (*id.*), GraphOn expects the “expert to opine regarding whether GraphOn’s disclosures met the standard of care” and to “explain why the ‘956 application is not material” to the patents in suit (*id.* at 12-13), and further expects the expert “to provide helpful testimony” for GraphOn (*id.* at 14-15).

Expert discovery on GraphOn’s failure to disclose the ’956 application and the intentional concealment of the best mode of practicing certain claims of the patents-in-suit however, was already completed in the *AutoTrader.com* litigation. Moreover, no extensive expert discovery is required regarding the failure to disclose prior litigations and litigation materials (including motions for summary judgment of invalidity, a *Markman* ruling by another District Court, and allegations of inequitable conduct), all of which directly relate to the applications and patents at issue here. Nor is expert testimony necessary to address whether GraphOn’s categorical failure to disclose co-pending continuation applications and numerous rejections of similar claims constituted inequitable conduct.

In any case, in an effort to alleviate any concern that GraphOn needs more discovery on its conduct and that of its agents, the Court could permit limited discovery on



specifically identified topics once an early hearing on inequitable conduct has been set. Plaintiffs respectfully submit that the Court may find it particularly convenient to hold the proposed early hearing on inequitable conduct close to the date of the hearing on Plaintiffs' motion for summary judgment, currently set for September 30. Appendix A contains a proposed schedule that would accommodate limited discovery and permit a tightly-focused and well-organized hearing to proceed on the issues of inequitable conduct.

#### **IV. GraphOn Has No Excuse for Its Failures of Disclosure**

While the Court need not make any findings on the merits of the inequitable conduct case at this juncture, the merits should inform its discretion in determining whether to have an early hearing. Plaintiffs have made a thorough proffer of their inequitable conduct case, both by pleading it in detail (*see* MySpace Compl., ¶¶ 60-120 (Dkt. No. 1)), and in summary form in their Motion for an Early Hearing. Although GraphOn attempts to argue that its conduct does not rise to the level of inequitable conduct, GraphOn's opposition reveals the weakness of its position.

With respect to the failure to disclose prior litigation involving related patents, GraphOn argues that the Patent Office was aware of the lawsuits because the District Court — not GraphOn — sent form reports on the filing of the actions to an unspecified location in the Patent Office. But the District Court's disclosure does not as a matter of law relieve the Applicants of their independent obligations of disclosure. *See* MPEP § 2001.06(c) ("At a minimum, *the applicant* should call the attention of the Office to the litigation, the existence and the nature of any allegations relating to validity and/or 'fraud,' or 'inequitable conduct' relating to the original patent, and the nature of litigation materials relating to these issues. Enough information should be submitted to clearly inform the Office of the nature of these issues so that the Office can intelligently evaluate the need for asking for further materials in the litigation.") (emphasis added). Likewise, as discussed further below, GraphOn's post-allowance submission of two prior art references from the *eBay* litigation, in an undifferentiated group of 236 other references, could not have satisfied its obligation to provide "allegations relating to validity"



1 and to provide “[e]nough information . . . to clearly inform the Office of the nature of these  
2 issues.” *Id.*<sup>4</sup>

3 With respect to GraphOn’s failure to disclose the best mode of practicing the  
4 “charging” claims of the patents, GraphOn presents an expert opinion that under a particular  
5 claim construction, it had no obligation to disclose the best mode of practicing those claims.  
6 But the former Commissioner of Patents and Trademarks, the Honorable Gerald J. Mossinghoff,  
7 has opined to the contrary, stating that “those substantively involved in the preparation and  
8 prosecution of the ’538 patent breached their duty of candor and good faith to the U.S. Patent  
9 and Trademark Office in failing to disclose the best mode of the invention claimed in that  
10 patent.” (Supp. Davidson Decl., Ex. 8, ¶¶ 2, 59 (Mossinghoff Report).) The issue is ripe for  
11 this Court to determine.

12 In short, GraphOn is asserting patents that are tainted by an extensive failure to  
13 disclose to the Patent Office highly material information. Without seeking to explain these non-  
14 disclosures, GraphOn simply indicates that “Plaintiffs cannot show an intent to deceive.” (Opp.  
15 at 17.) Plaintiffs respectfully submit that the Court will readily be able to determine an intent to  
16 deceive based on the knowledge of the Applicants, and the relevance and scope of the withheld  
17 materials. Based on this “unexplained violation of the duty of candor,” and GraphOn’s failure  
18 to demonstrate that “an inference of wrongful intent should not be drawn,” a finding of  
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21 <sup>4</sup> GraphOn cites *Omax Corp. v. Flow Int’l Corp.*, No. C04-2334L, 2006 WL 3249191, at \*2  
22 (W.D. Wash. 2006) for the proposition that the clerk’s notice to the Patent Office “makes it  
23 ‘highly plausible’ that examiner was aware of patent dispute.” (Opp. at 18.) *Omax* holds no  
24 such thing. Instead, it notes only that it was plausible that the patent attorney had subjectively  
25 “concluded that the Clerk of Court’s notification to the USPTO about the [] patent was  
26 sufficient to make the patent examiner aware of patent disputes.” 2006 WL 3249191, at \*2.  
27 Here, GraphOn has not contended that its patent attorneys believed (incorrectly) that the Clerk’s  
28 notice was sufficient. Nor has it contended that its patent attorneys, like those in *Omax*, were  
“unaware of [their] independent duty under MPEP § 2001.06(c).” *Id.* In any event, *Omax* was a  
ruling on a motion for summary judgment, and the court simply held that there were fact issues  
with respect to the intent of the patent attorney. If GraphOn does raise such a defense, the Court  
will, in the proposed evidentiary hearing, have an opportunity to assess the credibility and intent  
of GraphOn’s patent attorneys.

inequitable conduct will be warranted. *Paragon Podiatry Lab., Inc. v. KLM Labs., Inc.*, 984 F.2d 1182, 1192 (Fed. Cir. 1993).

### V. GraphOn's Opposition Makes a Series of Devastating Admissions

Further demonstrating that the Court would conserve resources by holding an early hearing on inequitable conduct, GraphOn's opposition undermines its argument that the patents are enforceable. GraphOn notes that "[t]he duty to disclose under the MPEP only arises if the prior application is related to the current patent" or in the same "patent family" (Opp. at 10-11) to support its argument that the material '956 application need not be disclosed during the prosecution of the patents-in-suit. In making this argument, however, GraphOn ignores the fact that — as discussed above and in Plaintiffs' amended complaints that will be filed shortly — GraphOn completely failed to disclose at least 23 separate continuation applications that not only were "related to the current patent[s]" being prosecuted, but in fact had *identical* specifications and similar claims. GraphOn has thus admitted that its complete failure to disclose those 23 separate continuation applications violated its duties as set forth in the MPEP.

Second, in defending its failure to disclose the *eBay* and *AutoTrader* cases to the Patent Office, GraphOn states:

Burying the patent office with too much information can itself constitute inequitable conduct. See, e.g., *Reid-Ashman Mfg., Inc. v. Swanson Semiconductor Service LLC*, 2007 WL 1394427, \* 6 (N.D. Cal. 2007) (obfuscating relevant prior art by providing too much less relevant prior art may constitute inequitable conduct); *Golden Valley Microwave Foods Inc. v. Weaver Popcorn Co., Inc.*, 837 F.Supp. 1444, *aff'd* 11 F.3d 1072 (Fed. Cir. 1993) ("it is . . . a violation of the duty of candor and fair dealing . . . to bury" prior art within a series of less relevant prior art).

(Opp. at 19.) But "[b]urying the patent office with too much information" was exactly what GraphOn did. Rather than specifically identify the two key prior art references that had been the subject of summary judgment motions in the *eBay* litigation to the patent office, GraphOn instead buried those two references in a "lengthy list[] of prior art" (Opp. at 17) containing 236 *other references*, without in any way informing the Patent Office that these two were particularly important references or that they were the subject of motions for summary

1 judgment. GraphOn thus inadvertently admits that it “violat[ed] the duty of candor and fair  
2 dealing” in burying the key prior art in a “lengthy list[]” of other, less relevant prior art.

3 **VI. Conclusion**

4 For the reasons stated, Plaintiffs respectfully request that this Court grant an early  
5 one-day hearing on inequitable conduct, which should terminate this case, conserving the  
6 resources of the Court and the parties.

7  
8 Dated: July 1, 2010

Respectfully submitted,

9 COVINGTON & BURLING LLP

10 By: s/ Kevin B. Collins<sup>5</sup>  
Kevin B. Collins

11  
12 Attorneys for Plaintiff MYSPACE, INC., and  
13 Third-Party Defendant FOX AUDIENCE  
NETWORK, INC.

14 PERKINS COIE LLP

15 By: s/ Christopher Kao  
Christopher Kao

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17 Attorneys for Plaintiff CRAIGSLIST, INC.

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27 <sup>5</sup> In compliance with General Order 45.X.B, I hereby attest that concurrence in the filing of the  
28 document has been obtained from each of the other signatories hereto.

**Appendix A**

Plaintiffs propose the following schedule for the proposed early hearing on inequitable conduct:

Substantial completion of document production and privilege log on issue of inequitable conduct	August 2, 2010
Final day for fact discovery on issue of inequitable conduct	August 18, 2010
Deadline for Rule 26(a)(3) pretrial disclosures for one-day hearing on inequitable conduct	September 1, 2010
Deadline to file objections under Rule 26(a)(3)	September 1, 2010
Deadline to file motions in limine for one-day hearing on inequitable conduct	September 1, 2010
Parties submit pretrial order for one-day hearing on inequitable conduct	September 1, 2010
Pretrial conference for one-day hearing on inequitable conduct	September 14, 2010
One-day hearing on inequitable conduct	At the Court's convenience